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SUBJECT: BENEFITS OF MAQUILA SHELTER PROGRAM ATTRACTS
AEROSPACE INDUSTRY TO SONORA

¶11. SUMMARY. The state of Sonora has become the aerospace capital of Mexico, with one third of the aerospace companies in the country having operations there. The port of Guaymas, in particular, has become a hub for the industry. The success may stem, in part, from the services offered by the owner of the maquila parks. Maquilas Tetakawi, operates a so-called "shelter program," a legal mechanism that allows it to manage the day to day administrative and logistical operations of all of its park residents, which can focus their entire attention on manufacturing. END SUMMARY.

SHELTER PROGRAM - LET US DO YOUR DIRTY WORK

¶12. On April 5 Embassy Econoff and Hermosillo PO met with Luis Felipe Seldner, President and CEO of the Offshore Group, Carlos Espiriu, Director General of Maquilas Tetakawi, and Armando Lee, Director of the Guaymas area for Maquilas Tetakawi. They explained that the Offshore Group, headquartered in Tucson, Arizona, began its "shelter" program in 1986. The firm has a family of companies, including Maquilas Tetakawi, that allows it to handle all administrative and logistical functions for its clients in the manufacturing industry, permitting them to reduce their overall costs and enhance their company's position in the market. Their services under the shelter program include human resources management, payroll, logistics and procurement and facilities management. Seldner explained to Econoff, that by hiring of all personnel employed in the park, Maquilas Tetakawi can ensure that employees meet the individual needs of each company but are also given comparable wages and benefits to prevent frequent changes of employer, a problem for maquilas in the border region. International Logistics Solutions, the transportation arm of the Offshore Group, allows clients to reduce costs by combining shipments of imports and exports from the company's central facility in Tucson. Tetakawi also provides on-site day care, medical facilities and transportation for park employees. Last year, the company invested several million dollars in a desalinization plant that exceeds the park's water needs rather than be constrained by the water system in an area known for shortages.

IT PAYS TO BE NEAR THE COMPETITION

¶13. Representatives of Parker Aerospace, ESCO Turbine Technologies, Harco Labs, and Vermillion, all U.S. companies

located in the Maquilas Tetakawi parks, explained the benefits of being located near their competitors. The companies acknowledged that their combined business allows the park to attract support industries which might not move to the area if there were only one company. Tetakawi has been proactive in recruiting support industries (such as powder coating) to the area.

BILATERAL AVIATION SAFETY AGREEMENT

¶4. Mexico does not have a Bilateral Aviation Safety Agreement (BASA) with the U.S. This forces all aviation products produced in Mexico for the U.S. market to be shipped to U.S. facilities for certification before final use, causing a delay in the supply chain. All of the company and park representatives pointed to the efficiencies they would gain from completion of a BASA. Lack of a BASA may also be an impediment to more aerospace companies coming to the region. Boeing has visited Guaymas several times, including this month, but may base its decision to relocate on the BASA process. Mexico originally asked for BASA consideration in 2001 and the FAA has been providing technical assistance since then to assist Mexico in developing its certification infrastructure.

COMMENT

¶5. Maquilas Tetakawi's parks made it clear that there is a niche for the aerospace industry in Mexico, a niche that could grow large with the implementation of a BASA. This may be the vehicle Mexico needs as it looks to move its maquila industry from low skilled assembly into high technology

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sectors.

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